# Consolidated Financial Statements

# 2013

## TABLE OF CONTENTS


| | | |
|---|---|---|
| I. | Introduction | 2 |
| II. | Financial Statement Discussion and Analysis | 3 |
| | (a) Operating Results | 6 |
| | (b) Comparison to Budget | 10 |
| | (c) Financial Position | 14 |
| | (d) Consolidated Statement of Cash Flow | 20 |
| | (e) Consolidated Statement of Change in Net Debt | 21 |
| | (f) What the Financial Statements Mean | 21 |
| III. | Responsibility for Financial Reporting | 24 |
| IV. | City of St. John's 2013 Consolidated Financial Statements | |

## INTRODUCTION

These documents comprise the City of St. John's financial reporting for the fiscal year ended December 31, 2013.

The Consolidated Financial Statements are the primary document, however much additional detail and explanation is provided in the "Financial Statement Discussion and Analysis" which should be read in conjunction with the Consolidated Financial Statements for a full understanding of the City's financial operations in 2013 and its financial position at December 31, 2013.

# FINANCIAL STATEMENT

# DISCUSSION AND ANALYSIS

# YEAR ENDED DECEMBER 31, 2013

I am pleased to present the City of St. John's (the "City") 2013 Annual Financial Report, which has been prepared by the management of the City. This Report for 2013 demonstrates the progress the City has made in working towards the highest standards of performance measurement, accountability, transparency, and service delivery.

This discussion and analysis of the financial performance of the City should be read in conjunction with the audited consolidated financial statements and their accompanying notes and schedules, which are prepared in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Consolidated Financial Statements of the City (the "Statements") provide information about the economic resources, obligations and accumulated surplus of the City. They include the City's operating departments, as well as City agencies such as the St. John's Transportation Commission, the City of St. John's Non-Profit Housing Fund, St. John's Sports & Entertainment Ltd. and the Railway Coastal Museum. A brief description of the City's major funds and agencies follows.

The City's Sinking Fund contains the principal payments on the City's debenture financed long term debt, as well as the income earned on those payments. The City uses 20 year Sinking Fund bond issues to finance most capital borrowing. Under the terms of those bonds the City pays interest on the principal to the issuer semi-annually and at the same time pays a set percentage (typically 2.5% per annum) of the principal into the Sinking Fund. The money in this Fund is then invested in financial instruments authorized under the Trustee Act in order to safely accumulate the funds required to repay the lender on maturity.

The City's Non-Profit Housing Fund owns rental properties in projects located around the City. The properties were financed and constructed in conjunction

with the Canada Mortgage and Housing Corporation, however the City is fully responsible for managing and maintaining the properties, which are financed by mortgages paid out of the rental revenue. The Province of Newfoundland and Labrador provides support for these projects through annual operating grants. In 2012 the City entered into agreements with the Federal and Provincial governments for the construction of 30 additional units in Pleasantville. These units have now been completed and occupied.

The St. John's Transportation Commission, which operates as Metrobus, is a City agency overseen by seven Commissioners appointed by Council, of whom two are elected Councillors. The Commission has its own management and staff and operates independently. It receives an operating subsidy from the City and its annual budget as approved by the Commission is presented to and approved by the City.

St. John's Sports & Entertainment Ltd. ("SJSEL") is a corporation without share capital, incorporated by the City to own and operate Mile One Centre and the St. John's Convention Centre. The nine person Board of Directors is appointed by Council and includes one elected City Councillor and two City staff as voting members. Similar to the Transportation Commission, SJSEL receives an operating subsidy from the City and its annual budget as approved by the Board, is also presented to and approved by the City.

The Railway Coastal Museum is operated by the Newfoundland Railway Coastal Museum Foundation Inc. The Foundation is a registered charity however it is considered to be controlled by the City of St. John's because the Chair and three members of the seven member Board of Directors are appointed by the City. The remaining three members are appointed by the C.N. Pensioners Association. The Foundation owns the former C.N. Railway Station in St. John's and adjacent property and operates a museum on site. The City rents the upper storeys of the former station building for the City Archives at an annual rent of $ 137,640.

Separate financial statements are prepared annually for the Non-Profit Housing Fund, the St. John's Transportation Commission and St. John's Sports & Entertainment Ltd.

In addition, separate financial statements are prepared for the St. John's Regional Fire Department, the St. John's Regional Water Supply System, the St. John's Wastewater System, and the Robin Hood Bay Regional Waste Management Facility. All of these regional services are owned and operated by the City of St. John's and their operations are included in the City's Consolidated Financial Statements. The actual cost of operations is allocated to all users of the services which include several other municipalities in the Eastern Region of the Province, as well as commercial users. Those costs billed out to the other municipalities and to commercial users are included as revenue under "Sales of Goods and Services".

## OPERATING RESULTS

The Consolidated Statement of Operations and Accumulated Surplus reports the City's economic resources, obligations and accumulated surplus, on a comparative basis. The annual revenues exceeded expenditures resulting in an increase in accumulated surplus. In 2013, the City recorded consolidated revenues of $300.86 million (2012 - $298.92 million), an increase of 0.6% over 2012. Consolidated expenditures totalled $282.41 million in 2013 (2012 as restated - $247.11 million), resulting in an increase in accumulated surplus of $18.46 million.

**CONSOLIDATED REVENUES**
For the years ended December 31 (in thousands of dollars)

| | 2013 | | 2012 (As Restated) | | Change |
|---|---|---|---|---|---|
| Taxation | $ 179,826 | 60% | $ 164,971 | 55% | $ 14,855 |
| Grants in lieu of taxes | 7,579 | 2% | 4,329 | 1% | 3,250 |
| Grants and transfers | 44,896 | 15% | 63,674 | 21% | (18,778) |
| Sales of goods and services | 45,605 | 15% | 42,161 | 14% | 3,444 |
| Other revenue from own sources | 22,958 | 8% | 23,784 | 8% | (826) |
| | $ 300,864 | | $ 298,919 | | $ 1,945 |

Details of the types of revenue making up the broad categories shown in the Consolidated Statement of Operations and Accumulated Surplus can be found in Schedule 5, beginning on Page 30 of the Consolidated Financial Statements.

Overall revenues increased by less than $2 million from 2012 to 2013 but the mix of revenues changed considerably. Taxation increased by approximately $14.8 million with increases in property value contributing the most significant portion . Water tax on the other hand actually decreased slightly as a result of lower consumption in the industrial and commercial sectors.

Grants in lieu of taxes increased considerably because with the elimination of the Business Occupancy Tax from 2013 forward, replaced by an increase in the commercial property tax rate, grants in lieu of taxes from the Federal government increased as the Federal government pays its grants on the basis of commercial property tax only.

Grants and transfers consists of grants from other governments primarily for capital expenditures rather than operating expenditures, and transfers of infrastructure to the City by the developers of both residential and commercial subdivisions. Capital grants from other governments tend to rise and fall depending on the capital grants programs provided by the Federal and Provincial governments. In 2013 the total "Grants and Transfers" revenue category decreased by $18.8 largely as a result of lower capital grants from the Provincial government and the elimination of the $3.4 million Municipal Operating Grant by the Province. Current accounting standards for local governments require the recognition of the value of infrastructure transferred to the City from the developers of both residential and commercial subdivisions. This includes in-ground infrastructure such as water and sewer pipes, as well as the land underlying streets and sidewalks and the streets and sidewalks constructed on the land. This decreased slightly by $1.6 million over 2012.

Sales of goods and services is a revenue category that takes in such things as commercial water sales, cost recoveries from other municipalities for regional services as well as the consolidation of revenues from St. John's Sports & Entertainment Ltd. (Mile One Centre and the St. John's Convention Centre) and the Railway Coastal Museum.

"Other revenue from own sources" is a category of revenue derived from direct City operations. There were no significant variances from 2012 to 2013 in the various revenue sources identified in Schedule 5.

Consolidated expenditures totalled $282.41 million in 2013 (2012 as restated - $247.11 million), an increase of $35.30 million over 2012. The rising expenditures were almost across the board but the single biggest contributing factor was a $22.29 million increase in amortization as a result of a change in the estimated useful life of a portion of City streets. This change in an accounting estimate was applied prospectively to the assets resulting in a one-time extra charge of $19,847,672. See Note 1 to the Consolidated Statements.

**CONSOLIDATED EXPENSES**
For the years ended December 31 (in thousands of dollars)

| | 2013 | | 2012 (As Restated) | | Change |
|---|---|---|---|---|---|
| General government services | $ 49,424 | 18% | $ 45,976 | 19% | $ 3,448 |
| Fiscal services | 17,281 | 6% | 18,081 | 7% | (800) |
| Transportation services | 54,067 | 19% | 49,937 | 20% | 4,130 |
| Protective services | 31,058 | 11% | 29,602 | 12% | 1,456 |
| Environmental health services | 40,773 | 14% | 37,620 | 15% | 3,153 |
| Recreation and cultural services | 29,558 | 10% | 28,298 | 11% | 1,260 |
| Environmental development services | 5,731 | 2% | 5,370 | 2% | 361 |
| Amortization and allowances | 54,517 | 20% | 32,228 | 13% | 22,289 |
| | $ 282,409 | | $ 247,112 | | $ 35,297 |

Details of the expenditures making up the broad categories shown in the Consolidated Statement of Operations and Accumulated Surplus can be found in Schedule 6, beginning on Page 32 of the Consolidated Financial Statements.

General government services include the cost of the Mayor and Councillors' offices, general administration including the Finance, Human Resources and Corporate Services Departments, as well as maintenance of City buildings. The $3.45 million increase in general government is a combination of higher accrued costs within the City pension plan and a lower accrual for employee future benefit costs, In both cases the changes are primarily on accrued future costs and have little impact on current cash requirements.

Transportation services include road transport, street lighting, the St. John's Transportation Commission and Para-Transit System, and parking meters. The increased costs of approximately $4.1 million are largely attributable to snow clearing and streets maintenance costs.

Protective services, which consist mainly of the City's share of the cost of the St. John's Regional Fire Department is up just over $1 million, much of which is attributable to increased wage costs in the Fire Department.

Environmental Health services is a category that takes in water and wastewater treatment and delivery as well as garbage collection and disposal. Water supply and distribution costs continue to escalate as new treatment facilities come on line while increasing amounts are budgeted and spent to ensure the long term security of the water distribution system. This includes increased inspection costs and planning for additional trunk lines and related infrastructure.

Recreation and cultural services increased by $1.3 million compared to 2012. This category takes in the operations of the City's Recreation Department, the Parks Division of the Public Works and Parks Department, the operations of St. John's Sports & Entertainment Ltd. (Mile One Centre and the St. John's Convention Centre), as well as other recreational and cultural services. It should be noted that the expenditures for St. John's Sports & Entertainment Ltd. cover all the operating expenses for that organization for the year, just as all the

revenue for SJSE is shown under revenues in Schedule 5 under "Sales of goods and services". The significant (38%) increase In Destination St. John's reflects the higher revenues collected from the City's Accommodation Tax, a portion of which is allocated to Destination St. John's to market the City for various forms of tourism.

Amortization and allowances include provisions for uncollectible accounts, provision for obsolete inventory, loss on disposal of tangible capital assets and amortization. As noted above, amortization of assets rose by $22.3 million from the previous year and was primarily responsible for the increase in expenses under this category. Amortization is a charge to operating expenses in each year of a portion of the capitalized cost of fixed assets. The purpose of this amortization is to allocate the cost of tangible capital assets to all the years the assets are used in City operations rather than just in the year acquired or in which capital expenditures were made. Note 6 and Schedule 1 of the Consolidated Financial Statements provide more details on the City's tangible assets.

## COMPARISON TO BUDGET

Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants require that the City provide a comparison of the actual and budgeted financial results of the City's management of its economic resources, obligations and financial affairs. However while the City's Consolidated Statement of Operations and Accumulated Surplus and its Consolidated Statement of Changes in Net Debt are prepared on a full accrual basis in accordance with PSAS requirements, the City's budget is prepared on a cash basis in accordance with its governing legislation. *The City of St. John's Act.* As PSAS also require that planned results, e.g. the City's budget, be presented for the same scope of activities and on a basis consistent with that used for actual results and to comply with PSAS in 2013, Schedule 9 on Page 36 reconciles the actual cash budget to an equivalent accrual based estimate. The following

schedule provides a comparison of the City's actual results on a cash basis to the approved cash basis budget for 2013.

**CITY OF ST. JOHN'S**
**Cash Basis Statement of Revenue and Expenditure**
**Year ended December 31, 2013**

| | 2013 Actual | 2013 Budget | Variance |
|---|---|---|---|
| Revenue | | | |
| Taxation | $ 198,675,332 | $ 186,763,712 | $ 11,911,620 |
| Grants from other governments | 23,650,663 | 26,732,585 | (3,081,922) |
| Grants in lieu of taxes | 7,578,919 | 5,635,000 | 1,943,919 |
| Sales of goods & services | 20,648,273 | 17,487,844 | 3,160,429 |
| Other revenue own sources | 11,978,355 | 10,492,427 | 1,485,928 |
| Other transfers | 721,414 | 1,800,000 | (1,078,586) |
| Total Revenue | 263,252,956 | 248,911,568 | 14,341,388 |
| Expenditure | | | |
| General government services | 31,576,144 | 32,642,091 | (1,065,947) |
| Protective services | 29,054,253 | 28,573,461 | 480,792 |
| Transportation services | 49,814,962 | 47,870,723 | 1,944,239 |
| Environmental health services | 64,229,846 | 66,050,111 | (1,820,265) |
| Environmental development services | 12,344,054 | 11,244,814 | 1,099,240 |
| Recreation and cultural services | 19,449,889 | 20,058,669 | (608,780) |
| Fiscal services | 27,129,190 | 28,149,862 | (1,020,672) |
| Transfers to reserves & other funds | 17,547,080 | 14,321,837 | 3,225,243 |
| Total Expenditure | 251,145,418 | 248,911,568 | 2,233,850 |
| Net cash operating surplus | $ 12,107,538 | $ - | $ 12,107,538 |

As shown, City operations in 2013 resulted in an operating surplus of approximately $12.1 million. After taking into account transfers of accumulated surplus to fund additional capital expenditures, the City had an accumulated cash surplus at the end of 2013 of approximately $ 13.1 million.

The major factor contributing to the large operating surplus in 2013 was a large positive variance in taxes. This was partly due to the robust new housing market in 2013 which saw many new properties occupied and taxable well before predicted as well as the very high occupancy rates for commercial property, also well beyond expectations. It should be noted that the $3.16 million surplus in "Sales of goods and services" includes tipping fees and other regional revenues which are carried forward to future years and help create the apparent over-expenditure of $3.23 million in "Transfers to reserves and other funds".

## REGIONAL SERVICES

The City of St. John's provides extensive services to neighbouring municipalities as well as to its own taxpayers. These services are shared and governed on a variety of bases ranging from Provincial legislation to mutual agreement. The services provided include the treatment and supply of water, treatment and disposition of wastewater, fire protection, public transit and solid waste management. Separate audited financial statements are prepared for each regional service however all the revenues and expenses of the regional services are included in the City's audited consolidated financial statements.

### Regional Water

In addition to water reservoirs and treatment plants at Windsor Lake and Petty Harbour-Long Pond (still under construction at December 31, 2013) which serve only the City of St. John's, the City owns and operates the reservoir and water treatment plant at Bay Bulls Big Pond which provides water to the City of Mount Pearl and the towns of Paradise, Portugal Cove-St. Philips and Conception Bay South, as well as the western portion of St. John's. All operating costs are billed out to the participating municipalities on a cost recovery basis, adjusted annually on a cost per cubic metre used basis.

### Regional Fire Services

The St. John's Regional Fire Department is responsible for fire protection and fire fighting in St. John's, Mount Pearl, Paradise and Petty Harbour-Maddox Cove. In addition, the Fire Department has agreements in place to respond to fire events as requested by officials in other neighbouring municipalities. For this service these municipalities pay an annual retainer and hourly-based fees for any services actually required.

### Public Transit

Public Transit is not strictly a regional service under the same criteria as the other services described here as the St. John's Transportation Commission,

operating as Metrobus, is responsible only to the City of St. John's but does provide a limited service on a fee-for-service basis to the City of Mount Pearl. Similar arrangements apply to the City's Para-Transit Service with each participating municipality, as well as Provincial government agencies, paying for their own services provided on a negotiated basis with the contracted service provider, MVT Canadian Bus, Inc.

**Wastewater**

The City of St. John's, the City of Mount Pearl and the Town of Paradise participated in the capital and participate in the operating costs of the Riverhead Sewage Treatment Plant. The net operating costs are allocated annually to each municipality in accordance with the metered flows attributed to each.

**Solid Waste Management**

The City has owned and operated the Robin Hood Bay Waste Management Facility for many years and provided a waste disposal service for the City, surrounding municipalities and commercial operations. In 2007 the Provincial government decided that Robin Hood Bay would be the solid waste management facility for the entire Avalon Peninsula, and possibly some adjacent areas. Working with the Eastern Regional Services Board (operating as Eastern Waste Management) the City operates the Robin Hood Bay facility on a cost recovery basis with any surpluses or deficits incurred on annual operations carried forward into the calculation of the per ton tipping fees charged for waste disposal. The Robin Hood Bay facility continues to be owned and operated by the City and the City has 50% of the positions on the Board of Directors of the Eastern Regional Services Board.

## FINANCIAL POSITION

The Consolidated Statement of Financial Position reports the City's financial and non-financial assets and liabilities, and accumulated surplus as at December 31, 2013, on a comparative basis to the restated results for 2012. This statement, read in conjunction with the referenced notes, is used to evaluate the City's ability to finance its operations and to meet its obligations and commitments. The accumulated surplus, which represents the net assets of the City, is one of the key indicators on the Consolidated Statement of Financial Position. The annual change in the accumulated surplus is equal to the yearly excess of revenues over expenses for the year, which was $18.45 million in 2013. This increase in surplus is primarily attributable to the capital contributions from other levels of government and from developers, which must be recorded as revenue in the year received. As previously discussed, additional operating revenues were generated by increases in sales of goods and services, grants and transfers, and earnings from taxation.

As shown in Note 14 to the Consolidated Financial Statements the accumulated surplus from past revenues and contributions has been used to create reserves (appropriated surplus) under various accounts/projects. The majority of these reserves are earmarked for future capital expenditures and for stabilizing significant variances in operating expenditures and revenue levels from year to year. In 2013, the City's reserve balances increased overall by approximately $22 million over the previous year. Sinking fund reserve for retirement of debentures accounted for the largest amount under reserve, which increased by $6.20 million in 2013.

Some of the important items in the Consolidated Statement of Financial Position are discussed in the following section.

## CASH & CASH EQUIVALENTS

Cash and cash equivalents increased considerably at December 31, 2013 compared to the same date in 2012. This, as well as the $9,107,000 in short term investments is primarily because of a $60 million bond issued in December, 2013. This bond was issued to provide long term financing of the City's share of various capital projects including the following:

(i) The 2012-2013 Building Canada Fund projects,

(ii) The 2012-2013 Provincial Multi-Year Capital Works program.

(iii) City costs on the Bay Bulls Big Pond and Petty Harbour Long Pond Water Treatment plants,

(iv) Land acquisition and construction costs on the new Metrobus facility, and

(v) Construction costs on the new West End Fire Station.

The bond was dated and the funds were received on December 20, 2013 so much of the refinancing took place after December 31, leaving the noted cash balances on hand at year end.

Other significant items under the cash and cash equivalent account includes accommodation tax, advance payments from developers, and the replacement reserve fund for the City's non-profit housing projects. The amount reserved for closure and post-closure costs at the Robin Hood Bay Waste Management Facility increased to $5.72 million in 2013 while a further $648,000 has been set aside for equipment replacement at Robin Hood Bay. These monies are collected as part of the tipping fees paid by all users of the Facility. This item is explained in detail in Note 18 to the consolidated financial statements.

## ACCOUNTS RECEIVABLE

The current portion of accounts receivable increased by $16.16 million in 2013 over 2012, partly because of an increase in receivables from other governments, the vast majority of which consists of capital costs incurred under cost-sharing programs and partially because, as of January 1, 2013, commercial property tax is payable quarterly, in arrears so the entire 4$^{th}$. quarter commercial taxes are outstanding and receivable at year end.

Accounts receivable – long term consists mainly of amounts receivable from the provincial government for funds borrowed to finance the provincial share of cost shared capital projects. Accounts receivable – long term declined by a further $5.6 million as the Provincial Government continues paying off its share of older loans and pays its share of cost-shared projects out of its own current revenues.

**PORTFOLIO INVESTMENTS**

Portfolio investments (sinking funds) increased by $13.18 million in 2013 from the previous year and were reduced by $7.0 million as funds were used to repay a matured debenture, leaving a net increase for the year of $6.2 million. Sinking funds are established under the terms of the City's Debenture debt borrowings and are used to accumulate the principle payments required each year. These typically consist of payments of 2.5% of the originally borrowed amount of each bond issue per year, plus the income earned as these amounts are invested. This process ensures that sufficient funds are on hand to pay off the bonds (debentures) on maturity. The total amount of the Sinking Funds must be offset against the Debenture debt total to provide the net debt outstanding at year end.

**PAYABLES & ACCRUALS**

The payables and accruals consist of deposits and prepayments, trade, accrued interest, and obligations to other governments. The substantial increase of $9.61 million at year end is almost entirely attributable to capital works projects paid or refinanced subsequent to year end.

**DEBT**

The City has two major types of debt obligations—debenture debt and long-term debt. The largest debt component is the sinking fund debentures, which totalled $329.50 million as at December 31, 2013 (see Schedule 2 to the consolidated financial statements). The annual requirements until 2018, relating to sinking funds (less debt charges recoverable from the Province of Newfoundland and

Labrador), range from $4.76 million down to $4.45 million as older bonds mature. The long-term debt consists of various mortgages and other loans including those for urban living non-profit housing, sewage treatment plants, and other capital projects. The City's net debt payable at the end of December 2013 is $246.2 million, as summarized in the table below.

**DEBT**
(for the years ended December 31)

| | 2013 | 2012 | Change |
|---|---|---|---|
| Debenture debt | $ 329,500,000 | $ 275,500,000 | $ 54,000,000 |
| Long term debt | 30,785,792 | 34,587,915 | (3,802,123) |
| | 360,285,792 | 310,087,915 | 50,197,877 |
| Less: Accounts receivable - long term | 30,599,614 | 36,206,506 | (5,606,892) |
| Portfolio investments (Sinking Funds) | 83,480,438 | 77,277,098 | 6,203,340 |
| Net debt payable | $ 246,205,740 | $ 196,604,311 | $ 49,601,429 |

## EMPLOYEE BENEFITS

The City provides pension, sick leave, and severance pay benefit plans for qualifying employees. The cost of these plans is actuarially determined each year, based on best estimates of a number of assumptions. Past experience and future economic and investment outlook lay the foundation for the assumptions; hence, future uncertainty may derail some of the projections. Variance between actual experience and assumptions (and revisions in assumptions) will almost certainly lead to adjustments in pension, severance, and/or sick leave benefit expenses in future. Some important assumptions relate to such factors as the long-term expected rate of return on plan assets, inflation, increase in salaries, discount (interest) rates, and employee related factors such as retirement age, mortality, turnover, used sick leave, etc.

The City contributes to a defined benefit pension plan for employees as well as to a supplementary retirement plan for the members of Council, both providing benefits based on length of service and average annual income. The consolidated financial statements also incorporate the two pension plans in place for the St. John's Transportation Commission (see Note 11). The aggregate employee benefits obligation increased to $166.03 million at December 31, 2013

compared to $153.39 million, as restated to include sick leave benefits at December 31, 2012. The largest amount, explained in more detail in Note 12, is for post employment health and life insurance benefits, which is the current calculation of the future cost of paying the premiums for these benefits for current employees after their retirement. This is an extrapolation with no funding required on a current basis.

As disclosed in Note 11 to the Consolidated Financial Statements, a required triennial actuarial valuation of the City's employee pension plan was completed as of December 31, 2012. This is just one year after the previous valuation, however annual valuations are a condition placed on the City by the Provincial Director of Pension Standards in return for relief from the requirement to make special "solvency" payments to the City's Employee Pension Plan. This requirement is in place to protect employees of commercial enterprises which may disappear for one reason or another and is not applicable to public sector bodies. The City continues to make special payments into the pension plan as calculated on the "going concern" basis. The actuarial valuation produced reported pension plan liabilities of $279,752,000 versus plan assets of $218,303,000, leaving a going concern funding deficiency of $61,448,000, down from the deficiency at December 31, 2012 of $82,498,498. The primary reason for the significant decrease in pension fund liabilities is good investment returns in 2013. The overall liabilities in the plan continue to reflect, low interest rates, which boost actuarial liabilities, new mortality tables which reflect the fact that people are living longer and plan provisions which allow for early retirements with unreduced pensions.

The impacts of the valuation include higher special payments of $8 million per year in each of the next two years and higher employer contributions for current service. The City has undertaken a project to put the employee pension plan on a sustainable basis to ensure its continued existence at an affordable price.

## TANGIBLE CAPITAL ASSETS

Tangible capital assets include the City's physical assets such as land, buildings, equipment, vehicles, roads, underground networks, etc. These assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, and/or development of the assets. The cost, less estimated residual value of the assets are amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 75 years.

In 2013, the City made total capital investments of $102.2 million under various projects. Major outlays were in buildings and permanent improvements; equipment, vehicles and moveable plant; and in work in progress of projects from earlier years. The ending book value of the City's tangible capital assets stood at $1.153 billion as at December 31, 2013, after taking into account the impact of change in the estimated useful life of street surfaces discussed above.

## FINANCIAL INDICATORS

The financial condition of the City is measured by its ability to meet its existing financial obligations to employees, creditors, and other stakeholders, while continuing to provide high quality service to the public. The City manages debts and its credit efficiently which contributes to its good credit standing.

The City was first rated by two ratings agencies in 2011; the first time the City had sought a formal credit rating. The ratings obtained were Aa2 Stable by Moody's and A+ Stable by Standard and Poors. These credit ratings enable the City to market its bonds to a larger market and provide us with better (lower) interest rates. These ratings have been confirmed in 2013 and subsequently in 2014. Contributing factors in the favourable ratings include vigorous contract management, purchasing rules, and the financial controls in place to ensure proper financial checks and balances.

An analysis of the comparative Consolidated Financial Statements for 2013 and 2012 reveals the City's financial state. One of the key indicators of financial health is the sustainability ratio. It measures the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the taxpayers. A critical measure of sustainability is the assets-to-liabilities ratio. At December 31, 2013, the City had an assets-to-liabilities ratio of 2.29, a slight increase from the 2.13 figure at December 31, 2012, showing that the City has sufficient assets in place to cover its existing liabilities. It has to be kept in mind that much of both the assets and liabilities relate to the infrastructure required to be in place and maintained to ensure that the City has the capability and capacity to provide its mandated services. The City's financial assets-to-liabilities ratio sits at 0.36 at December 31, 2013 compared to 0.33 at December 31, 2013, a slight increase attributable to the level of cash on hand in 2013 as discussed above. These levels are to be expected as most financial liabilities are long term debt repayable over the next twenty years.

## CONSOLIDATED STATEMENT OF CASH FLOW

The Consolidated Statement of Cash Flow summarizes how the City's cash position changed during the year by highlighting the City's sources and uses of cash. The statement is useful in determining the short-term viability of the City, particularly its ability to pay bills. The statement reconciles the cash position of the City over the fiscal year ended December 31, 2013 by starting with income earned during the year, adding back amortization of tangible capital assets as well as other non-cash expenditures, adding cash provided by borrowing and other financing activities, and deducting capital expenditures and principal payments on debt. As at December 31, 2013, the City's cash position stood at $37.73 million, an increase of $15.98 million over the previous year. The

composition of cash on hand is set out in Note 3 to the consolidated financial statements and is discussed above.

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

The City relies on borrowed funds to finance some of its capital expenditures as there is a gap between capital expenditure needs and ongoing revenue sources. However, debt has remained at sustainable levels. The Consolidated Statement of Change in Net Debt reconciles the net debt of the City, year-on-year, where net debt is the City's financial assets (cash and equivalents) less financial liabilities. The statement reports on the extent to which expenditures (as opposed to expenses) in the year have been met by revenues recognized in the year. Expenditures include both payments on debt principal in the year as well as the costs of acquisition of tangible capital assets, items that require the outlay of cash but are not considered expenses for the year. This statement essentially reports how these expenditures are financed.

In 2013, the City's net debt increased by $30.2 million (2012, increased by $24.5 million). It should be noted that the City's Long Term Debt Policy allows borrowing only for capital projects where at least 50% of the cost is borne by third parties or where there is a dedicated new source of revenue sufficient to cover the City's cost. That policy also provides that the City's total general obligation debt service (eg. paid from property tax) shall not exceed 17.5% of the City's net operating revenue. That ratio as of December 31, 2013 is at approximately 10%.

## WHAT THE FINANCIAL STATEMENTS MEAN

The City of St. John's prepares its annual consolidated financing statements in accordance with Canadian generally accepted accounting principles for local governments as noted above. These consolidated financial statements are therefore prepared on the full accrual basis which requires the City to, amongst other things:

(a) record capital grants from third parties, primarily the Provincial and Federal governments, as revenue in the year received;

(b) record as revenue the value of subdivision common areas transferred to the City by developers;

(c) exclude the purchase or construction cost of fixed assets from the Statement of Operations and the inclusion of amortization of those fixed assets as disclosed in Schedule 1 to the consolidated financial statements; and

(d) exclude from expenditure, payments made on the principal balances of long term debt.

Readers of these financial statements must therefore understand that the high revenues and substantial operating surpluses recorded are almost entirely attributable to the receipt and recording as revenue of capital grants and actual physical assets. The consolidated financial statements as presented indicate the following:

- the City has spent a great deal of money on the acquisition of fixed or tangible assets in recent years, primarily basic infrastructure, and has received substantial capital contributions towards those expenditures from the Federal and Provincial governments;

- the surplus which has been generated is based on tangible capital assets which are held indefinitely and used to provide services to residents. They are not for sale and are not used to directly generate revenue; and

- the City maintains a cumulative cash surplus on operations and is maintaining a good financial position.

The primary goal of a municipality's financial statements is accountability. This includes not only the basic handling of cash funds provided by tax payers and by other levels of government but also how those funds are used to ensure that the municipalities' physical assets are maintained as required, replaced as appropriate and financed responsibly. These statements are intended to provide that information to current and future readers and to provide an objective measure of the City's performance in achieving accountability for all its assets.

Robert G. Bishop, C.A.

Deputy City Manager, Financial Management

## RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of St. John's. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements have been reviewed and approved by the City's Audit Committee.

Grant Thornton, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and Councillors and appears in the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert G. Bishop, C.A.

Deputy City Manager, Financial Management

Grant Thornton

# Consolidated Financial Statements

City of St. John's

December 31, 2013

# Contents


| | | Page |
|---|---|---|
| Statement of Responsibility | | 1 |
| Independent Auditors' Report | | 2 |
| Consolidated Statement of Operations and Accumulated Surplus | | 3 |
| Consolidated Statement of Financial Position | | 4 |
| Consolidated Statement of Change in Net Debt | | 5 |
| Consolidated Statement of Cash Flow | | 6 |
| Notes to the Consolidated Financial Statements | | 7-25 |
| Supplementary Schedules | | |
| 1 | Consolidated Schedule of Tangible Capital Assets | 26 |
| 2 | Consolidated Schedule Debenture Debt | 27 |
| 3 | Consolidated Schedule of Long-Term Debt | 28 |
| 4 | Consolidated Schedule of Mortgages – Urban Loving Non-Profit Housing | 29 |
| 5 | Consolidated Schedule of Revenues | 30-31 |
| 6 | Consolidated Schedule of Expenditures | 32-33 |
| 7 | Consolidated Schedule of Expenditures by Object | 34 |
| 8 | Consolidated Schedule of Segmented Information | 35 |
| 9 | Reconciliation of Consolidated Cash Budget to Consolidated PSAS Budget | 36 |

# Statement of Responsibility

The accompanying consolidated financial statements are the responsibility of the management of the City of St. John's (the "City") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the City's Audit Committee met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

Grant Thornton LLP, as the City's appointed external auditors, has audited the consolidated financial statements. The auditor's report is addressed to the Mayor and Councillors and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the City in accordance with Canadian public sector accounting standards.

Mayor

Deputy City Manager, Financial Management

Grant Thornton LLP
Suite 300
15 International Place
St. John's, NL
A1A 0L4

T +1 709 778 8800
F +1 709 722 7892
www.GrantThornton.ca

# Independent auditors' report

To His Worship the Mayor and Councillors, City of St. John's

We have audited the accompanying consolidated financial statements of the City of St. John's, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of St. John's, as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other matters**

The comparative figures for the year ended December 31, 2012, with the exception of amounts related to the restatement presented in Note 2 to the consolidated financial statements, were audited by another firm of chartered accountants who provided an audit report without reservation on those financial statements in their report dated December 16, 2013.

Grant Thornton LLP

St. John's, Canada
December 18, 2014

Chartered Accountants

# CITY OF ST. JOHN'S

## Consolidated Statement of Operations and Accumulated Surplus

| Year ended December 31, 2013 | Actual 2013 | Actual 2012 |
|---|---|---|
| | $ | $ (Restated) Note 2 |
| **Revenues (Schedule 5)** | | |
| Taxation | **179,826,270** | 164,970,694 |
| Grants in lieu of taxes | **7,578,918** | 4,328,765 |
| Grants and transfers | **44,896,263** | 63,674,122 |
| Sales of goods and services | **45,605,380** | 42,161,508 |
| Other revenue from own sources | **22,957,800** | 23,783,903 |
| | **300,864,631** | 298,918,992 |
| **Expenditures (Schedule 6)** | | |
| General government services | **49,424,119** | 45,975,928 |
| Fiscal services | **17,281,554** | 18,080,845 |
| Transportation services | **54,066,890** | 49,936,903 |
| Protective services | **31,057,795** | 29,601,834 |
| Environmental health services | **40,772,591** | 37,619,797 |
| Recreation and cultural services | **29,558,415** | 28,298,269 |
| Environmental development services | **5,730,594** | 5,370,545 |
| Amortization and allowances | **54,516,801** | 32,227,948 |
| | **282,408,759** | 247,112,069 |
| Excess of revenues over expenditures | **18,455,872** | 51,806,923 |
| Accumulated surplus, beginning of year | **754,874,253** | 703,067,330 |
| **Accumulated surplus, end of year (Note 14)** | **773,330,125** | 754,874,253 |

See accompanying notes to the consolidated financial statements

# CITY OF ST. JOHN'S

## Consolidated Statement of Financial Position

**As at December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) Note 2 |
| **Financial assets** | | |
| Cash and cash equivalents (Note 3) | 37,727,817 | 21,746,064 |
| Short-term investments | 9,107,000 | - |
| Accounts receivable - current (Note 4) | 55,250,451 | 39,086,348 |
| Accounts receivable - long-term (Note 5) | 30,599,614 | 36,206,506 |
| Investment in rental housing projects | 274,761 | 308,893 |
| Portfolio investments (Sinking funds) (Note 14 and Schedule 2) | 83,480,438 | 77,277,098 |
| | 216,440,081 | 174,624,909 |
| **Financial liabilities** | | |
| Payables and accruals (Note 7) | 74,791,463 | 65,186,378 |
| Employee benefits (Note 8) | 166,024,923 | 153,388,297 |
| Deferred credits | 180,240 | 360,480 |
| Debenture debt (Note 9 and Schedule 2) | 329,500,000 | 275,500,000 |
| Long-term debt (Note 10) | 30,785,792 | 34,587,915 |
| Trust funds payable | 30,429 | 311,146 |
| | 601,312,847 | 529,334,216 |
| **Net debt** | (384,872,766) | (354,709,307) |
| Contingencies and commitments (Note 17) | | |
| **Non-financial assets** | | |
| Tangible capital assets (Note 6 and Schedule 1) | 1,153,389,234 | 1,105,216,140 |
| Inventory of materials and supplies | 2,654,233 | 2,936,177 |
| Prepaid expenditures | 2,157,219 | 1,426,191 |
| Unamortized bond discount | 2,205 | 5,052 |
| | 1,158,202,891 | 1,109,583,560 |
| **Accumulated surplus (Note 14)** | 773,330,125 | 754,874,253 |

See accompanying notes to the consolidated financial statements

**On behalf of Council**

Mayor

Deputy City Manager, Financial Management

# CITY OF ST. JOHN'S

## Consolidated Statement of Changes in Net Debt

**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) Note 2 |
| **Excess of revenues over expenditures** | **18,455,872** | 51,806,923 |
| **Changes in tangible capital assets** | | |
| Acquisition of tangible capital assets | **(101,898,826)** | (107,063,561) |
| Net book value of tangible capital assets disposals/adjustments | **315,492** | 91,848 |
| Amortization of tangible capital assets | **53,410,240** | 31,014,804 |
| **Increase in net book value of tangible capital assets** | **(48,173,094)** | (75,956,909) |
| **Changes in other non-financial assets** | | |
| Change in prepaid expenditures and unamortized bond discounts | **(728,181)** | (123,691) |
| Acquisition of inventory and supplies, net of usage | **281,944** | (238,780) |
| **Increase in other non-financial assets** | **(446,237)** | (362,471) |
| Increase in net debt | **(30,163,459)** | (24,512,457) |
| Net debt, beginning of year | **(354,709,307)** | (330,196,850) |
| **Net debt, end of year** | **(384,872,766)** | (354,709,307) |

See accompanying notes to the consolidated financial statements

# CITY OF ST. JOHN'S
## Consolidated Statement of Cash Flows
**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) Note 2 |
| **Operating transactions** | | |
| Excess of revenues over expenditures | 18,455,872 | 51,806,923 |
| Non-cash charges to operations: | | |
| Amortization of tangible capital assets | 53,410,240 | 31,014,804 |
| Employee benefits | 12,636,626 | 15,433,359 |
| Loss (Gain) on disposal of tangible capital assets | 241,072 | (90,331) |
| | 84,743,810 | 98,164,755 |
| Net change in other (Note 15) | (7,188,342) | 3,053,833 |
| | 77,555,468 | 101,218,588 |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | (101,898,826) | (107,063,561) |
| Proceeds from sale of tangible capital assets | 74,420 | 182,179 |
| | (101,824,406) | (106,881,382) |
| **Financing transactions** | | |
| Decrease in long-term accounts receivable | 5,606,892 | 5,448,266 |
| Proceeds from debenture debt | 60,000,000 | - |
| Proceeds from long-term debt | 1,810,860 | 2,475,000 |
| Repayment of debenture debt | (6,000,000) | (11,000,000) |
| Repayment of long-term debt | (5,612,983) | (5,334,199) |
| Other | 2,847 | 7,281 |
| | 55,807,616 | (8,403,652) |
| **Investing transactions** | | |
| Increase in sinking fund investments | (6,203,340) | (1,634,896) |
| (Increase) decrease of short-term investments | (9,107,000) | 14,253,025 |
| Decrease in trust funds payable | (280,717) | (110,336) |
| Decrease in investment in rental housing projects | 34,132 | 31,979 |
| | (15,556,925) | 12,539,772 |
| Increase (decrease) in cash and cash equivalents | 15,981,753 | (1,526,674) |
| Cash and cash equivalents, beginning of year | 21,746,064 | 23,272,738 |
| **Cash and cash equivalents, end of year** | 37,727,817 | 21,746,064 |

Supplementary cash flow information (Note 15)

See accompanying notes to the consolidated financial statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

*Basis of consolidation*

The consolidated financial statements include all the accounts of the City of St. John's (the "City"), St. John's Transportation Commission and St. John's Sports & Entertainment Ltd., which are wholly-owned and operated by the City. Any inter-company transactions have been eliminated on consolidation. Any internal revenue and expenses for the City's Urban Living Non-Profit Housing Fund, Regional Fire Department, Regional Waste Water System, Robin Hood Bay Regional Waste Management Facility, and Regional Water Supply System have also been eliminated on consolidation.

*Revenue recognition*

Revenues are recognized as earned and when collection is reasonably assured. Property tax billings are prepared by the City based on the assessed values of the respective property. The tax rates are approved annually by Council.

Government grants and transfers are recognized as revenue in the financial period in which events give rise to the transfer occurring, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amount can be determined.

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with banks (net of overdrafts) and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

*Inventories*

Inventories of material and supplies are carried at the lower of cost and net realizable value.

*Investments in rental housing projects*

Investments in rental housing projects are recorded at cost.

*Short-term investments*

Short-term investments consist of City bonds and are recorded at cost plus accumulated interest.

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 45 years |
| Vehicles | |
| Transit buses | 7-12 years |
| Vehicles | 7-20 years |
| Computer hardware and software | 5 years |
| Other | |
| Machinery and equipment | 15-20 years |
| Water and waste plants and networks | |
| Underground networks | 75 years |
| Sewage treatment plants and lift stations | 45 years |
| Water pumping stations and reservoirs | 45 years |
| Flood stations and other infrastructure | 45 years |
| Waste management facility and infrastructure | 10-40 years |
| Transportation | |
| Roads | 15-35 years |
| Bridges and structures | 50 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

*Contribution of tangible capital assets*

Contributions of tangible capital assets are recorded at fair value at the date of receipt. The contribution is recorded as revenue.

*Leases*

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense.

*Bond discounts*

Bond discounts are amortized and expensed over the term of the related bond issue.

*Assessments*

Assessments for water and sewer installations and street improvements are recorded on an accrual basis.

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Portfolio investments (Sinking funds)*

Sinking funds established for the retirement of debentures are held and administered by a third party and accounted for in the City's records on an accrual basis.

*Reserve for snow and ice management*

The City has established a snow and ice management reserve, to a maximum of $2,000,000, to accumulate funds to be used in years of severe winter conditions.

*Reserve for Civic Centre financing*

The City has established a Civic Centre financing reserve to accumulate its share of revenue received from the accommodations' tax. The accommodations' tax, which was legislated effective January 1, 1999, represents a three percent room levy on all fixed roof accommodations in the City of St. John's. The funds in the reserve are used to reduce the debt related to the construction of the St. John's Convention Centre and to pay for capital improvements for the facility.

*Solid waste landfill closure and post-closure costs*

The liability for closure and post-closure care of the City's Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs are included in annual operating costs as each section of the landfill site is filled and placed out of service. The present value of the estimated annual post-closure costs is being accrued over the remaining life of the landfill site.

*Severance & Accrued Sick Leave Benefits*

The cost and obligation of severance and accrued non-vesting sick leave benefits earned by employees are actuarially determined using the projected accrued benefit method prorated on service and management's best estimate of assumptions of future service, future benefit usage, salary changes, and retirement ages of those employees.

The discount rate used for determining the benefit obligation is the City's cost of borrowing.

Past service costs resulting from changes to these benefits are recognized at the date of amendment.

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Accrued pension benefits*

The cost and obligation of pension benefits, earned by employees and members of Council, are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary changes and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The discount rate used for determining the benefit obligation is the expected rate of return on plan assets or the City's cost of borrowing.

Past service costs resulting from plan amendments are recognized at the date of amendment.

The excess of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee plan is 15 years and 2 years for the Mayor and Councillors' plan.

*Employee future benefits*

The City provides post-retirement benefits in the form of extended life and health coverage to employees. The cost and obligations of these benefits earned by employees are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions and future claim rates and costs. There is no requirement to fund these future obligations on a current basis.

*Use of estimates*

In preparing the City's financial statements in conformity with PSAS, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Items subject to management estimate include allowance for doubtful accounts, useful life of tangible capital assets, impairment of assets, employee future benefits, and closure and post-closure costs related to Robin Hood Bay Landfill. Actual results could differ from these estimates.

*Change in accounting estimate*

In accordance with its policy, the City reviews the estimated useful lives of its tangible capital assets on an ongoing basis. During 2013 it was determined that the estimated useful lives used for amortization purposes in the financial statements for certain assets were greater than the actual expected lives for these assets. Effective January 1, 2013 the City changed its estimated useful life of streets surfacing to better reflect current conditions. The useful life of streets surfacing, previously estimated to be thirty five years, has been reduced to an average of 15 years. The effect of this change has been applied prospectively and has resulted in an increase in amortization expense, a decrease in net book value of capital assets, and a decrease in accumulated surplus of $19,847,672 for 2013.

## 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Employee benefit adjustment - The December 31, 2012 figures have been restated to reflect the results of an actuarial valuation for City's employee severance and sick leave benefits as of December 31, 2013. The valuation resulted in a change in the opening employee benefits liability as at January 1, 2012, carried forward to December 31, 2012.

| | As previously reported | Employee benefits adjustment | As restated |
|---|---|---|---|
| | $ | $ | $ |
| **Statement of Operations and Accumulated Surplus** | | | |
| Expenditure (Schedule 6) | | | |
| General government services | | | |
| Pensions and employee benefits | 4,443,037 | 559,726 | 5,002,763 |
| Recreational and cultural services | | | |
| St. John's Sports & Entertainment Ltd. | 9,018,989 | 23,587 | 9,042,576 |
| Excess of revenue over expenditure | 52,390,236 | (583,313) | 51,806,923 |
| Accumulated surplus, begin of year | 708,134,628 | (5,067,298) | 703,067,330 |
| Accumulated surplus, end of year | 760,524,864 | (5,650,611) | 754,874,253 |
| **Statement of Financial Position** | | | |
| Financial liabilities | | | |
| Employee benefits | 147,737,686 | 5,650,611 | 153,388,297 |
| Net Debt | (349,058,696) | (5,650,611) | (354,709,307) |
| Accumulated surplus, end of year | 760,524,864 | (5,650,611) | 754,874,253 |
| **Statement of Changes in Net Debt** | | | |
| Excess of revenue over expenditure | 52,390,236 | (583,313) | 51,806,923 |
| Net debt, beginning of year | (325,129,552) | (5,067,298) | (330,196,850) |
| Net debt, end of year | (349,058,696) | (5,650,611) | (354,709,307) |
| **Statement of Cash Flows** | | | |
| Operating transactions | | | |
| Excess of revenue over expenditure | 52,390,236 | (583,313) | 51,806,923 |
| Employee benefits | 14,850,046 | 583,313 | 15,433,359 |

## 3. CASH AND CASH EQUIVALENTS

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Cash | 32,647,939 | 11,726,962 |
| Restricted cash deposits: | | |
| Accommodation tax | 669,386 | 663,788 |
| Public Transit Fund | 24,590 | 187,790 |
| Robin Hood Bay post closure costs (Note 18) | 93,926 | 4,673,914 |
| Robin Hood Bay equipment replacement | 2,498,344 | 1,850,017 |
| Convention Centre Equipment replacement | 912,261 | 605,868 |
| Northeast Avalon Regional Plan | 325,225 | 321,829 |
| Riverhead waste/water Equipment replacement | 416,399 | - |
| Advance payments from developers | 30,428 | 311,146 |
| Urban living non-profit housing: | | |
| Tenants' security deposits | 106,167 | 106,224 |
| Replacement reserve fund | 3,152 | 1,298,526 |
| | 37,727,817 | 21,746,064 |

The Public Transit Fund consists of funds that have been received in advance of expenditure under the Federal Provincial Public Transit funding agreement signed October 23, 2007. The funds are being used to construct a modern transit depot.

The City has agreements with Canada Mortgage and Housing Corporation ("CMHC") and Newfoundland and Labrador Housing Corporation ("NLHC") which stipulate that cash be set aside for a replacement reserve fund. As at December 31, 2013 the City held cash of $3,152 (2012-$1,298,526) and an investment in City bonds of $1,518,000 (2012-nil) for this reserve.

## 4. ACCOUNTS RECEIVABLE – CURRENT

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Taxes | 15,897,360 | 7,174,085 |
| Other governments | 29,099,529 | 21,635,612 |
| Other | 10,253,562 | 10,276,651 |
| | 55,250,451 | 39,086,348 |

### 5. ACCOUNTS RECEIVABLE - LONG-TERM

The Government of Canada, through CMHC, has agreed to pay grants to the City as a share of Rennies River trunk sewer and Mundy Pond neighbourhood improvement program. The Province of Newfoundland and Labrador has agreed to pay grants to the City as a share of water and sewer, street paving and reconstruction, and recreational facilities programs. These grants are payable by annual instalments and have maturity dates to December, 2026.

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Government of Canada | | |
| Rennies River trunk sewer | **204,656** | 266,745 |
| Government of Newfoundland and Labrador | | |
| Water and sewer projects | **23,332,708** | 27,054,338 |
| Civic Centre | **5,697,992** | 7,326,237 |
| | **29,030,700** | 34,380,575 |
| Other | | |
| Federation of Canadian Municipalities - interest grant | **180,240** | 360,480 |
| Civic assessments | **1,184,018** | 1,198,706 |
| | **1,364,258** | 1,559,186 |
| | **30,599,614** | 36,206,506 |

The Federal and Provincial government's share of cost shared loans is recorded in the accounts of the City as debt charges recoverable. For the next five years and thereafter the amounts are as follows:

| | Federal | Provincial | Total |
|---|---|---|---|
| | $ | $ | $ |
| 2014 | 68,556 | 5,522,381 | 5,590,937 |
| 2015 | 75,697 | 5,658,058 | 5,733,755 |
| 2016 | 28,765 | 5,705,813 | 5,734,578 |
| 2017 | 31,638 | 3,535,491 | 3,567,129 |
| 2018 | - | 3,349,218 | 3,349,218 |
| Thereafter | - | 5,259,739 | 5,259,739 |

## 6. TANGIBLE CAPITAL ASSETS

| | Net Book Value | |
|---|---|---|
| | **2013** | 2012 |
| | **$** | $ |
| Land | **54,491,971** | 48,611,829 |
| Buildings and permanent improvements | **251,845,058** | 195,750,689 |
| Roads and underground networks | **596,357,395** | 591,478,778 |
| Equipment, vehicles and moveable plant | **113,155,511** | 101,612,165 |
| Fire department buildings and equipment | **13,742,393** | 13,879,990 |
| Urban living non-profit housing buildings | **18,221,603** | 19,233,895 |
| Work in process | **105,575,303** | 134,648,794 |
| | **1,153,389,234** | 1,105,216,140 |

Additional information on cost of additions, disposals and amortization is presented in Schedule 1.

## 7. PAYABLES AND ACCRUALS

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Trade | **51,994,117** | 43,940,929 |
| Deposits and prepayments | **19,912,119** | 18,171,856 |
| Accrued interest | **2,724,566** | 2,825,851 |
| Other governments | **160,661** | 247,742 |
| | **74,791,463** | 65,186,378 |

## 8. EMPLOYEE BENEFITS

| | **$** | $ Restated |
|---|---|---|
| Employee future benefits (Note 12) | **112,353,626** | 101,460,579 |
| Accrued pension benefits (Note 11) | **29,593,398** | 28,755,702 |
| Severance & retirement benefits (Note 13) | **18,294,387** | 17,649,500 |
| Sick leave benefits (Note 13) | **5,783,512** | 5,522,516 |
| | **166,024,923** | 153,388,297 |

## 9. DEBENTURE DEBT

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Debenture debt outstanding (Schedule 2) | **329,500,000** | 275,500,000 |
| Less: debt charges recoverable from the Province of Newfoundland and Labrador (Schedule 2) | **23,111,239** | 26,449,786 |
| Less: portfolio investments (sinking funds) available (Schedule 2) | **83,480,438** | 77,277,098 |
| | **222,908,323** | 171,773,116 |

The annual requirements over the next five years and thereafter relating to scheduled sinking funds less debt charges recoverable from the Province of Newfoundland and Labrador (the "Province") are as follows:

| Year | Sinking Fund Requirements | Newfoundland and Labrador | Net Amount |
|---|---|---|---|
| | $ | $ | $ |
| 2014 | 8,237,500 | (3,544,033) | 4,693,467 |
| 2015 | 8,237,500 | (3,762,383) | 4,475,117 |
| 2016 | 8,112,500 | (3,660,375) | 4,452,125 |
| 2017 | 8,112,500 | (3,535,491) | 4,577,009 |
| 2018 | 8,112,500 | (3,349,218) | 4,763,282 |
| Thereafter | 75,006,250 | (5,259,739) | 69,746,511 |

## 10. LONG-TERM DEBT

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Long-term debt (Schedule 3) | **10,344,525** | 14,499,945 |
| Mortgages - Urban living non-profit housing (Schedule 4) | **12,621,407** | 14,078,970 |
| St. John's Transportation Commission | **7,819,860** | 6,009,000 |
| | **30,785,792** | 34,587,915 |
| Less: debt charges recoverable (Schedule 3) | **(6,124,117)** | (8,197,533) |
| | **24,661,675** | 26,390,382 |

## 10. LONG-TERM DEBT (Continued)

Annual principal repayments over the next five years and thereafter relating to retirement of long-term debt are as follows:

| Year | Long-term Debt | Non-Profit Housing Mortgages | St. John's Transportation Commission | Government of Newfoundland and Labrador and Canada Share | Net Amount |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| 2014 | 4,128,524 | 1,495,312 | 7,819,860 | (2,046,904) | 11,396,792 |
| 2015 | 4,047,896 | 1,525,663 | - | (1,971,372) | 3,602,187 |
| 2016 | 2,103,862 | 1,559,370 | - | (2,074,202) | 1,589,030 |
| 2017 | 64,243 | 1,592,459 | - | (31,639) | 1,625,063 |
| 2018 | - | 1,473,731 | - | - | 1,473,731 |
| Thereafter | - | 4,974,872 | - | - | 4,974,872 |

The Province's portion of cost shared loans is recorded in the accounts of the City as debt charges recoverable in accounts receivable.

Mortgages of the Urban Living Non-Profit Housing Fund are secured by specific rental properties situated in St. John's and an assignment of rental income.

## 11. ACCRUED PENSION BENEFITS

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| City of St. John's - Employees | **25,413,700** | 25,361,700 |
| City of St. John's - Mayor and Councillors | **3,213,500** | 2,990,400 |
| St. John's Transportation Commission | **966,198** | 403,602 |
| | **29,593,398** | 28,755,702 |

*Pension plans*

The City maintains a defined benefit plan which provides pension benefits to its employees. The City also maintains a supplementary retirement arrangement for the members of Council. Both plans provide benefits based on length of service and average earnings.

An actuarial valuation of the plans was completed as at December 31, 2012 and extrapolated to December 31, 2013 for the Employees and the Mayor and Councillors. For the St. John's Transportation Commission plans the actuarial valuation was as of December 31, 2010 as described below.

## 11. ACCRUED PENSION BENEFITS (Continued)

| | Employees | Mayor and Councilors | 2013 | 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| *Accrued benefit obligation* | | | | |
| Balance, beginning of year | 261,748,000 | 3,278,500 | 265,026,500 | 225,287,201 |
| Current service cost | 11,257,938 | 106,800 | 11,364,738 | 10,418,554 |
| Interest cost | 15,139,139 | 153,500 | 15,292,639 | 14,142,399 |
| Benefits paid | (8,471,339) | (132,600) | (8,603,939) | (7,582,342) |
| Past services and Flexible Ancillary Benefit Account ("FABA") contributions | 296,153 | - | 296,153 | 287,067 |
| Actuarial loss (gain) | (218,356) | 370,700 | 152,344 | 22,473,621 |
| Balance, end of year | 279,751,535 | 3,776,900 | 283,528,435 | 265,026,500 |
| *Plan assets* | | | | |
| Fair value, beginning of year | 179,249,502 | - | 179,249,502 | 161,473,538 |
| Return on plan assets | 26,646,872 | - | 26,646,872 | 11,852,192 |
| Benefits paid | (8,471,339) | - | (8,471,339) | (7,458,142) |
| City contributions to plan | 15,902,259 | - | 15,902,259 | 8,513,490 |
| Past services and FABA contributions | 296,153 | - | 296,153 | 287,067 |
| Employee contributions to plan | 4,679,944 | - | 4,679,944 | 4,581,357 |
| Fair value, end of year | 218,303,391 | - | 218,303,391 | 179,249,502 |
| Funded status - deficit | (61,448,144) | (3,776,900) | (65,225,044) | (85,776,998) |
| Unamortized amounts | 36,034,444 | 563,400 | 36,597,844 | 57,424,898 |
| Accrued benefit liability | (25,413,700) | (3,213,500) | (28,627,200) | (28,352,100) |
| *Significant assumptions used* | | | | |
| Discount rate | 5.75% | 4.50% | | |
| Expected long-term rate of return on plan assets | 5.75% | - | | |
| Rate of compensation increase | 3.00% | 3.00% | | |
| Average remaining service period of active employees | 15 years | 2 years | | |
| *Net benefit expense for the year* | | | | |
| Current service cost | 11,257,938 | 106,800 | 11,364,738 | 10,418,554 |
| Interest cost | 15,139,139 | 153,500 | 15,292,639 | 14,142,399 |
| Amortization of (gains) losses | 4,900,625 | 95,400 | 4,996,025 | 3,503,100 |
| Employee contributions | (4,679,944) | - | (4,679,944) | (4,581,357) |
| Expected return on plan assets | (10,663,549) | - | (10,663,549) | (10,277,200) |
| Net benefit expense | 15,954,209 | 355,700 | 16,309,909 | 13,205,496 |

## 11. ACCRUED PENSION BENEFITS (Continued)

*St. John's Transportation Commission ("Commission")*

*Defined benefit pension plans*

The Commission maintains two defined benefit plans which provide pension benefits to its union and non-union employees. The plans provide benefits based on length of service and average earnings.

Based on an actuarial valuation of the plans completed as at December 31, 2010, the following results have been extrapolated to December 31, 2013:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| *Accrued benefit obligation* | | |
| Balance, beginning of year | 36,837,640 | 33,818,428 |
| Current service cost | 1,604,669 | 1,392,636 |
| Interest cost | 2,098,147 | 1,994,197 |
| Benefits paid | (1,321,238) | (1,715,617) |
| Participant contributions | 26,936 | 29,235 |
| Actuarial loss on accrued benefit obligation | (789,198) | 1,318,761 |
| Balance, end of year | 38,456,956 | 36,837,640 |
| *Plan assets* | | |
| Fair value, beginning of year | 28,885,801 | 25,957,890 |
| Return on plan assets | 3,520,582 | 2,360,661 |
| Benefits paid | (1,321,238) | (1,715,617) |
| Employer contributions to plan | 1,485,093 | 1,659,155 |
| Employee contributions to plan | 586,257 | 623,712 |
| Fair value, end of year | 33,156,495 | 28,885,801 |
| Funded status (deficit) | (5,300,461) | (7,951,839) |
| Unamortized amounts | 4,334,263 | 7,548,237 |
| Accrued benefit liability | (966,198) | (403,602) |
| *Significant assumptions used* | | |
| Discount rate | 6.25% | 5.75% |
| Expected long-term rate of return on plan assets | 5.75% | 6.00% |
| Rate of compensation increase | 3.50% | 3.50% |
| Average remaining service period of active employees | 16.3 years | 16.3 years |

## 11. ACCRUED PENSION BENEFITS (Continued)

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| *Net benefit expense for the year* | | |
| Current service cost | 1,604,669 | 1,392,636 |
| Interest cost | 2,098,147 | 1,994,197 |
| Amortization of losses | 564,002 | 531,078 |
| Liability increase due to flexible contributions | 26,936 | 29,235 |
| Employee contributions | (586,257) | (623,712) |
| Expected return on plan assets | (1,660,696) | (1,555,062) |
| Net benefit expense | 2,046,801 | 1,768,372 |

## 12. EMPLOYEE FUTURE BENEFITS

Both the City and the Commission provide post-retirement health and life benefits to their retired employees. The actuarial valuation of the plan was completed as at December 31, 2013 for the City and as at December 31, 2010 for the Commission (extrapolated to December 31, 2013) and is presented below.

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | City | Commission | Total | Total |
| | $ | $ | $ | $ |
| *Accrued benefit obligation* | | | | |
| Balance, beginning of year | 118,266,400 | 9,330,800 | 127,597,200 | 102,364,672 |
| Current service cost | 4,168,000 | 306,740 | 4,474,740 | 3,990,651 |
| Interest cost | 5,596,700 | 430,855 | 6,027,555 | 5,174,838 |
| Estimated claims and expenses | (2,548,100) | (235,499) | (2,783,599) | (2,270,159) |
| Impact of plan amendments | 5,500 | - | 5,500 | 982,998 |
| Actuarial gain (loss) on benefits | 110,600 | (98,728) | 11,872 | 17,354,200 |
| Balance, end of year | 125,599,100 | 9,734,168 | 135,333,268 | 127,597,200 |
| Funded status - deficit | 125,599,100 | 9,734,168 | 135,333,268 | 127,597,200 |
| Unamortized amounts | (22,167,400) | (812,242) | (22,979,642) | (26,136,621) |
| Accrued benefit liability | 103,431,700 | 8,921,926 | 112,353,626 | 101,460,579 |

## 12. EMPLOYEE FUTURE BENEFITS (Continued)

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | City | Commission | Total | Total |
| *Significant assumptions used* | | | | |
| Discount rate | 4.50% | 4.60% | | |
| Average remaining service period of active employees | 12 years | 14.8 years | | |
| | $ | $ | $ | $ |
| *Net benefit expense for the year* | | | | |
| Current service cost | 4,168,000 | 306,740 | 4,474,740 | 3,990,651 |
| Cost of plan amendents | 5,500 | | 5,500 | |
| Amortization of actuarial gains/losses | 3,054,100 | 114,751 | 3,168,851 | 1,722,651 |
| Interest cost | 5,596,700 | 430,855 | 6,027,555 | 5,174,838 |
| Net benefit expense | 12,824,300 | 852,346 | 13,676,646 | 10,888,140 |

## 13. SEVERANCE AND SICK LEAVE BENEFITS

The City provides severance for employees hired before December 31, 1979 as a payout of their accumulated sick leave upon retirement or termination. Severance for those hired after December 31, 1979 will consist of one weeks salary for each year worked and is only paid upon retirement. These employees are also allowed to accumulate sick leave.

The cost of severance and sick leave benefits for St. John's Sports & Entertainment Ltd. has been prorated based on the City's actuarial valuation adjustment resulting in a liability of $492,062 at December 31, 2013 (2012 - $473,522).

The actuarial valuation completed for the City as at December 31, 2013 is presented below:

## 13. SEVERANCE AND SICK LEAVE BENEFITS (Continued)

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Severance | Sick leave | Total | Total |
| | $ | $ | $ | $ |
| *Accrued benefit obligation* | | | | |
| Balance, beginning of year | 17,559,785 | 5,624,047 | 23,183,832 | 21,566,718 |
| Current period benefit cost | 1,098,165 | 651,589 | 1,749,754 | 1,642,570 |
| Interest cost | 820,007 | 264,060 | 1,084,067 | 1,079,639 |
| Benefits payments/contributions | (1,323,809) | (663,114) | (1,986,923) | (1,590,433) |
| (Gain)/loss on benefits obligation | (751,212) | (203,709) | (954,921) | 485,338 |
| Balance, end of year | 17,402,936 | 5,672,873 | 23,075,809 | 23,183,832 |
| Funded status - deficit | 17,402,936 | 5,672,873 | 23,075,809 | 23,183,832 |
| Unamortized amounts | 399,389 | 110,639 | 510,028 | (485,338) |
| Accrued benefit liability | 17,802,325 | 5,783,512 | 23,585,837 | 22,698,494 |
| *Significant assumptions used* | | | | |
| Discount rate | | | 4.50% | 4.70% |
| Average remaining service period of active employees | 12 years | 14.8 years | | |
| | $ | $ | $ | $ |
| *Net benefit expense for the year* | | | | |
| Current period benefit cost | 1,098,165 | 651,589 | 1,749,754 | 1,642,570 |
| Amortization of actuarial gains/losses | 31,984 | 8,461 | 40,445 | - |
| Interest cost | 820,007 | 264,059 | 1,084,066 | 1,079,639 |
| Net benefit expense | 1,950,156 | 924,109 | 2,874,265 | 2,722,209 |

## 14. ACCUMULATED SURPLUS

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) |
| Accumulated surplus, beginning of year | 754,874,253 | 703,067,330 |
| Excess of revenues over expenditures | 18,455,872 | 51,806,923 |
| Accumulated surplus, end of year | 773,330,125 | 754,874,253 |
| Appropriated surplus | | |
| Sinking fund - reserve for retirement of debentures | 83,480,438 | 77,277,098 |
| Reserve for Shoal Bay treatment plant | 358,540 | 313,720 |
| Reserve for landfill capital improvements | 7,863,587 | 7,863,587 |
| Urban living non-profit housing - replacement reserve | 1,521,152 | 1,298,526 |
| Reserve for snow and ice management | 2,000,000 | 2,000,000 |
| Reserve for salt savings | 1,096,591 | 1,096,591 |
| Reserve for Civic Centre financing | 2,529,270 | 2,785,047 |
| Reserve for capital | 20,719,482 | 6,992,680 |
| Reserve for employee benefits stabilization fund | 1,959,966 | 1,940,304 |
| Reserve for Robin Hood Bay equipment replacement | 2,498,344 | 1,850,017 |
| Reserve for Robin Hood Bay post-closure costs (Note 18) | 5,723,926 | 4,673,914 |
| Reserve for Riverhead Waste/water equipment replacement | 416,399 | |
| | 130,167,695 | 108,091,484 |
| Unappropriated surplus | 643,162,430 | 646,782,769 |
| | 773,330,125 | 754,874,253 |

## 15. SUPPLEMENTARY CASH FLOW INFORMATION

| | | |
|---|---|---|
| Changes in other balances: | | |
| Accounts receivable | (16,164,103) | (1,994,808) |
| Inventory of materials and supplies | 281,944 | (238,780) |
| Prepaid expenditures | (731,028) | (130,972) |
| Payables and accruals | 9,605,085 | 5,658,713 |
| Deferred credits | (180,240) | (240,320) |
| | (7,188,342) | 3,053,833 |
| Interest paid | 17,016,212 | 16,963,667 |

## 16. CREDIT FACILITIES

The City has the following credit facilities available to meet its short-term financing needs:

- Demand facilities with the Royal Bank totalling $14,500,000 (2012 - $14,500,000), bearing interest on advances at Royal Bank prime rate minus 0.5% (2012 – Royal Bank prime rate minus 0.5%). Drawings on the facility at December 31, 2013 were $Nil (2012 - $Nil).

- Demand facilities with the Royal Bank totalling $49,560,000 for the purpose of capital financing (2012 -$49,560,000), bearing interest on advances at Royal Bank prime rate minus 0.75% (2012 – Royal Bank prime rate minus 0.75%). Drawings on this facility at December 31, 2013 were $Nil (2012 - $Nil).

- Line of credit in the amount of $15,000,000 (2012 - $15,000,000), bearing interest on advances at 2.22% (2012 – Royal Bank prime rate minus 0.60%), of which $7,819,860 (2012 - $6,009,000) was used as at December 31, 2013, and maturing January 29, 2014 and subsequently renewed with an interest rate of 2.2% maturing May 30, 2014.

## 17. CONTINGENCIES AND COMMITMENTS

*Expropriation and other claims*

The City has received notices of claims totalling approximately $1,708,100 (2012 - $2,194,796). No provision has been made for these claims either because the City is not expected to incur any significant liability, or because an estimate of loss, if any, is not determinable at this time.

The Commission is contingently liable for claims below $50,000 which are not covered under its current insurance policy.

*Lease commitments*

Under the terms of long-term operating leases on equipment, the City is required to make annual lease payments for the next five years and to maturity as follows:

| | |
|---|---|
| 2014 | 2,529,540 |
| 2015 | 2,479,370 |
| 2016 | 2,225,339 |
| 2017 | 1,763,702 |
| 2018 | 1,575,764 |
| Thereafter | 2,944,380 |

*Greenbelt Tennis Club*

The City has guaranteed a loan of $150,000 for the replacement of an air supported structure.

## 17. CONTINGENCIES AND COMMITMENTS (Continued)

*Parking Space Leases*

The City has signed two agreements with developers for the lease of parking spaces in properties currently under construction. The first lease term is 75 years and calls for a capital contribution by the City of $3,348,000. The second is for a term of 50 years and calls for a capital contribution by the City of $5,104,167. Both capital contributions are due in full once the City has approved the parking spaces available for use.

## 18. ROBIN HOOD BAY CLOSURE AND POST-CLOSURE COSTS

The liability for closure and post-closure care of the Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs include the final cover and landscaping while post-closure costs include cap maintenance, groundwater and leachate monitoring, continued gas management operations, inspections and annual reports. The liability recognized in the consolidated financial statement is subject to measurement uncertainty. The recognized amounts are based on the City's best information and judgement. Amounts could materially change in the long-term.

| | |
|---|---|
| Estimated closure and post-closure costs over the next 36 years | $47,000,000 |
| Discount rate | 5% |
| Discounted cost | $8,520,643 |
| Expected year capacity will be reached | 2049 |
| Percent utilized | 12.5% |
| Liability based on the percentage utilized | $1,065,080 |

The tipping fees charged by the City to all users, including the City itself, other municipalities and commercial users include a provision for closure and post-closure costs which is contributed to an interest-bearing reserve to accumulate the funds that will be required at each closure and post-closure phase. The balance in the reserve at December 31, 2013 was $5,723,926 (2012 - $4,673,914). As at December 31, 2013 the City held cash of $93,926 (2012-$4,673,914) and an investment in City bonds of $5,630,000 (2012-nil) for this reserve.

### 19. SEGMENTED INFORMATION

The Consolidated Statement of Operations and Accumulated Surplus has been prepared in accordance with PSAB Handbook Section 2700 (PS 2700) Segment Disclosures. The segments selected enhance the ability to understand the City's major revenue and expense activities. (Schedule 8)

For each reported segment, revenues and expenses represent amounts directly attributable to each segment. The segments have been selected based on there being a functional difference within the segments. Each segment has its own budget and financial reporting process. The segments include:

**City of St. John's** includes those operations primarily funded through property tax revenues.

**Non Profit Housing** includes revenues and expenses related to the provision of housing to qualifying individuals. This segment includes Federal assistance through Canada Mortgage and Housing Corporation as well as through Newfoundland and Labrador Housing Corporation to reduce the operating costs for certain City projects.

**St. John's Transportation Commission** includes those revenues and expenses related to provision of public transit services.

**St. John's Sports & Entertainment Ltd.** includes those revenues and expenses related to the operation of Mile One Centre and the St. John's Convention Centre.

### 20. SUBSEQUENT EVENTS

During 2014 the City agreed on a new pension plan structure for all union and non-union groups except the International Association of Firefighters Local 1075. This agreement will see the defined benefit pension plan effectively closed to new entrants as of January 1, 2015. Employees in the defined benefit plan as of that date will continue to accrue benefits under the current defined benefit plan. Employees hired on or after January 1, 2015 will be enrolled into a defined contribution pension plan.

# CITY OF ST. JOHN'S

Schedule 1

## Consolidated Schedule of Tangible Capital Assets

**Year Ended December 31, 2013**

| | Land | Buildings & Permanent Improvements | Roads & Underground Networks | Equipment, Vehicles & Moveable Plant | Fire Department Buildings & Equipment | Work in Process | Urban Living Non-profit Housing Buildings | 2013 Totals | 2012 Totals |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | |
| Balance, beginning of year | 48,611,829 | 257,565,791 | 761,482,222 | 172,851,489 | 21,489,582 | 134,648,794 | 35,847,592 | 1,432,497,299 | 1,331,476,073 |
| Add: Additions during the year | 5,880,142 | 63,233,645 | 38,423,875 | 23,005,080 | 717,080 | 89,162,948 | - | 220,422,770 | 155,910,993 |
| Less: Disposals during the year | - | - | - | (4,834,170) | (29,338) | - | - | (4,863,508) | (6,042,334) |
| Adjustments | - | - | - | (359,673) | - | (118,236,439) | - | (118,596,112) | (48,847,433) |
| Balance, end of year | 54,491,971 | 320,799,436 | 799,906,097 | 190,662,726 | 22,177,324 | 105,575,303 | 35,847,592 | 1,529,460,449 | 1,432,497,299 |
| **Accumulated amortization** | | | | | | | | | |
| Balance, beginning of year | - | 61,815,102 | 170,003,444 | 71,239,324 | 7,609,592 | - | 16,613,697 | 327,281,159 | 302,216,840 |
| Add: Additions during the year | - | 7,139,276 | 33,545,258 | 10,860,386 | 853,028 | - | 1,012,292 | 53,410,240 | 31,014,804 |
| Less: Disposals during the year | - | - | - | (4,520,327) | (27,689) | - | - | (4,548,016) | (5,950,485) |
| Adjustments | - | - | - | (72,168) | - | - | - | (72,168) | - |
| Balance, end of year | - | 68,954,378 | 203,548,702 | 77,507,215 | 8,434,931 | - | 17,625,989 | 376,071,215 | 327,281,159 |
| **Net book value of tangible capital assets** | 54,491,971 | 251,845,058 | 596,357,395 | 113,155,511 | 13,742,393 | 105,575,303 | 18,221,603 | 1,153,389,234 | 1,105,216,140 |

# CITY OF ST. JOHN'S

**Schedule 2**

## Consolidated Schedule of Debenture Debt

**December 31, 2013**

| | | | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|
| Date of Maturity | Interest Rate | Amount Issued | **Amount Outstanding** | **Sinking Funds Available** | **Sinking Fund Requirement in 2014** | Sinking Funds Available | Sinking Fund Requirement in 2013 |
| | | $ | **$** | **$** | **$** | $ | $ |
| Sept. 2013 | 9.160% | 9,000,000 | - | - | - | 6,979,069 | 225,000 |
| Oct. 2015 | 9.400% | 5,000,000 | **5,000,000** | **4,730,812** | **125,000** | 4,458,809 | 125,000 |
| Dec. 2020 | 6.840% | 7,000,000 | **7,000,000** | **4,690,072** | **175,000** | 4,277,799 | 175,000 |
| Dec. 2021 | 7.380% | 15,000,000 | **15,000,000** | **8,893,225** | **375,000** | 7,940,460 | 375,000 |
| Apr. 2022 | 7.250% | 16,500,000 | **16,500,000** | **8,526,953** | **412,500** | 6,241,089 | 412,500 |
| Feb. 2023 | 6.680% | 11,000,000 | **11,000,000** | **5,951,966** | **275,000** | 5,217,834 | 275,000 |
| Feb. 2024 | 6.162% | 25,000,000 | **25,000,000** | **10,472,739** | **625,000** | 9,111,169 | 625,000 |
| June 2025 | 5.534% | 18,000,000 | **18,000,000** | **6,712,111** | **450,000** | 5,774,947 | 450,000 |
| Mar. 2026 | 5.300% | 25,000,000 | **25,000,000** | **7,481,900** | **625,000** | 6,311,871 | 625,000 |
| Dec. 2026 | 4.975% | 35,000,000 | **35,000,000** | **15,222,524** | **875,000** | 13,533,657 | 875,000 |
| Dec. 2027 | 5.400% | 15,000,000 | **15,000,000** | **2,676,239** | **375,000** | 2,180,997 | 375,000 |
| Nov. 2029 | 5.539% | 27,000,000 | **27,000,000** | **3,018,147** | **675,000** | 2,213,010 | 675,000 |
| Aug. 2031 | 4.622% | 70,000,000 | **70,000,000** | **5,103,750** | **1,750,000** | 3,036,387 | 1,750,000 |
| Dec. 2033 | 4.500% | 60,000,000 | **60,000,000** | - | **1,500,000** | | |
| | | 338,500,000 | **329,500,000** | **83,480,438** | **8,237,500** | 77,277,098 | 6,962,500 |

For the debenture debt that matures in 2021, 2023, 2024, 2025, and 2026, there are debt recoverable charges from the Province of Newfoundland and Labrador of $1,500,126, $3,029,768, $5,040,003, $4,687,607 and $8,853,735 respectively, for a total of $23,111,239.

# CITY OF ST. JOHN'S

**Schedule 3**

## Consolidated Schedule of Long-Term Debt

**December 31, 2013**

| | | | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|---|
| | Date of Maturity | Interest Rate | Amount Issued | Amount Outstanding | Principal Requirement in 2014 | Amount Outstanding | Principal Requirement in 2013 |
| | | | $ | $ | $ | $ | $ |
| **Canada Mortgage and Housing Corporation** | | | | | | | |
| Virginia Park trunk sewer | Apr. 2013 | 7.500% | 104,408 | - | - | 7,822 | 7,822 |
| Virginia Park trunk sewer | Mar. 2014 | 7.875% | 157,908 | 12,298 | 12,298 | 23,681 | 11,383 |
| Rennies River trunk sewer | Oct. 2015 | 10.375% | 1,011,991 | 188,643 | 89,556 | 269,584 | 80,940 |
| Rennies River trunk sewer | Oct. 2017 | 9.750% | 681,350 | 220,668 | 47,556 | 263,906 | 43,238 |
| Wedgewood Park water and sewer | Jan. 2017 | 7.875% | 12,410 | 3,456 | 766 | 4,165 | 710 |
| **Federation of Canadian Municipalities** | | | | | | | |
| Harbour Sewage Treatment Plant | Aug. 2015 | 2.450% | 15,000,000 | 3,000,000 | 1,500,000 | 4,500,000 | 1,500,000 |
| Harbour Sewage Treatment Plant | Dec. 2015 | 2.660% | 5,000,000 | 1,000,000 | 500,000 | 1,500,000 | 500,000 |
| **Newfoundland Municipal Financing Corporation** | | | | | | | |
| Higgins Line 1997 | June 2013 | 7.375% | 484,764 | - | - | 26,020 | 26,020 |
| 1997 Harbour Cleanup | Jan. 2014 | 7.500% | 1,464,499 | 79,172 | 79,172 | 229,033 | 149,861 |
| 2001 Harbour Cleanup | Feb. 2014 | 7.500% | 1,448,983 | 78,332 | 78,332 | 226,606 | 148,274 |
| Higgins Line 2001 | Dec. 2014 | 8.375% | 574,858 | 63,965 | 63,965 | 122,891 | 58,926 |
| Mile One Stadium | Sept. 2016 | 7.750% | 19,006,737 | 5,697,991 | 1,756,879 | 7,326,237 | 1,628,245 |
| | | | 44,947,908 | 10,344,525 | 4,128,524 | 14,499,945 | 4,155,419 |

For the long-term debt that matures from 2012 to 2016, there are debt recoverable charges from the Province of Newfoundland and Labrador of $5,919,461 and a debt recoverable charges from the Government of Canada of $204,656, for a total of $6,124,117.

# CITY OF ST. JOHN'S

**Schedule 4**

## Consolidated Schedule of Mortgages - Urban Living Non-Profit Housing

**December 31, 2013**

| | Date of Maturity | Interest Rate | 2013 Amount Issued | 2013 Amount Outstanding | 2012 Amount Outstanding |
|---|---|---|---|---|---|
| | | | $ | $ | $ |
| **Newfoundland & Labrador Housing Corporation** | | | | | |
| Hamlyn Road | Aug. 1, 2022 | 2.140% | 2,207,290 | **957,592** | 1,057,125 |
| Infill 1987 | Apr. 1, 2023 | 2.140% | 2,070,285 | **956,634** | 1,048,293 |
| Gear Street - Infill 1988 | Sept. 1, 2025 | 2.140% | 1,929,560 | **1,051,874** | 1,129,823 |
| Brookfield Road | Dec. 1, 2025 | 2.140% | 2,203,600 | **1,213,049** | 1,300,825 |
| Cochrane Street | Nov. 1, 2027 | 1.710% | 745,887 | **443,799** | 472,799 |
| Infill 1990 | Nov. 1, 2026 | 1.640% | 1,628,008 | **906,436** | 968,962 |
| Campbell Avenue | Feb. 1, 2028 | 1.620% | 968,952 | **595,602** | 631,354 |
| Infill 1992 | Dec. 1, 2028 | 2.140% | 1,682,553 | **913,850** | 965,012 |
| **Canada Mortgage and Housing Corporation** | | | | | |
| Forest Road | Jan. 1, 2018 | 1.620% | 1,647,890 | **405,490** | 499,806 |
| Cuckholds Cove Road | Apr. 1, 2018 | 1.670% | 804,200 | **204,569** | 248,878 |
| Infill 1982 | July 1, 2018 | 2.350% | 651,550 | **176,946** | 212,574 |
| Rawlins Cross | Dec. 1, 2018 | 2.110% | 1,249,485 | **363,062** | 429,660 |
| Hamilton Avenue - Riverhead Towers | Feb. 1, 2019 | 1.810% | 3,736,230 | **1,070,510** | 1,266,430 |
| Fahey's Row - Infill 1983 | May 1, 2019 | 2.610% | 962,163 | **310,817** | 363,580 |
| Alexander Street - Hamilton Avenue | June 1, 2019 | 2.610% | 1,920,998 | **625,982** | 730,520 |
| Carnell Street - Larkin Square | Jan. 1, 2020 | 2.650% | 1,910,065 | **684,919** | 787,398 |
| Carter's Hill | Jan. 1, 2020 | 2.760% | 1,406,630 | **511,577** | 587,805 |
| Infill 1985 | Apr. 1, 2021 | 2.260% | 880,530 | **363,518** | 408,604 |
| Carter's Hill - Sebastian Court | Aug. 1, 2021 | 1.800% | 2,031,175 | **865,181** | 969,522 |
| | | | 30,637,051 | **12,621,407** | 14,078,970 |
| Current portion | | | | **1,495,312** | 1,457,563 |

Mortgages are secured by specific rental properties situated in St. John's and assignment of rental income.

# CITY OF ST. JOHN'S

**Schedule 5**

## Consolidated Schedule of Revenues

**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Taxation** | | |
| Real property and business | 139,799,036 | 125,477,083 |
| Water | 29,704,644 | 30,382,816 |
| Utility | 7,183,578 | 6,781,688 |
| Accommodation | 3,139,012 | 2,329,107 |
| | 179,826,270 | 164,970,694 |
| **Grants in lieu of taxes** | | |
| Government of Canada | 3,383,479 | 1,542,080 |
| Government of Canada agencies | 998,291 | 522,151 |
| Water tax grant | 3,197,148 | 2,155,620 |
| Government of Newfoundland and Labrador agencies | - | 108,914 |
| | 7,578,918 | 4,328,765 |
| **Grants and transfers** | | |
| Government of Canada | | |
| Capital grant | 5,316,502 | 2,884,289 |
| St. John's Transportation Commission | 4,900 | 8,640 |
| Gas tax rebate | 4,182,852 | 4,182,852 |
| Government of Newfoundland and Labrador | | |
| Municipal operating grant | - | 3,411,427 |
| Municipal capital grant | 13,195,807 | 30,048,194 |
| Capital Grant - Non-Profit Housing | 3,429,700 | 3,103,709 |
| Recovery of debt charges | 2,096,814 | 2,444,783 |
| Rental housing projects | 1,140,930 | 1,196,657 |
| City of Mount Pearl and Town of Paradise | | |
| Capital contribution | - | 366,886 |
| City of Mount Pearl public transit contribution | 874,262 | 812,590 |
| Capital contribution from Developers | 12,773,965 | 14,329,871 |
| Other capital grants | 1,284,472 | 248,264 |
| Real Program Grants / ACOA | 596,059 | 635,960 |
| | 44,896,263 | 63,674,122 |
| **Sales of goods and services** | | |
| Environmental health services | | |
| Water sales - commercial and shipping | 8,423,045 | 5,407,769 |
| Tipping fees | 10,826,130 | 10,418,998 |
| Recycling materials | 749,003 | 682,658 |
| Regional Fire recovery | 5,753,492 | 5,275,269 |

# CITY OF ST. JOHN'S

Schedule 5 (continued)

## Consolidated Schedule of Revenues

**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Sales of goods and services (continued)** | | |
| Environmental health services (continued) | | |
| Regional Water recovery | 5,021,240 | 4,175,061 |
| Regional Waste Water recovery | 664,100 | 337,546 |
| Other | 222,706 | 224,588 |
| General government services | 1,064,891 | 1,111,801 |
| Transportation services | | |
| Parking meters | 1,675,669 | 1,668,034 |
| Parking permits | 265,503 | 248,614 |
| Other | 37,980 | 19,466 |
| Third party charges | 440,095 | 243,971 |
| Sale of land | 189,028 | 172,316 |
| Gain on disposal of equipment | - | 90,331 |
| Recreation, parks and tourism | 1,458,890 | 1,468,760 |
| St. John's Sports & Entertainment Ltd. | 7,713,889 | 8,695,731 |
| Railway Coastal Museum | 156,784 | 122,357 |
| Other general services | 942,935 | 1,798,238 |
| | 45,605,380 | 42,161,508 |
| **Other revenue from own sources** | | |
| Interest on tax arrears | 2,076,310 | 2,028,406 |
| Interest earned on portfolio investments | 4,014,506 | 4,239,135 |
| Interest savings, Green Municipal Infrastructure Fund | 180,240 | 240,320 |
| Fines | 2,024,819 | 2,060,315 |
| Construction and other permits | 4,301,179 | 5,158,902 |
| Interest earned | 486,604 | 346,724 |
| Business and amusement licenses | 180,240 | 158,631 |
| Rents, concessions and franchises | 76,090 | 51,386 |
| Apartment rentals | 2,969,716 | 2,860,678 |
| St. John's Transportation Commission | | |
| Passenger fares | 5,575,388 | 5,699,668 |
| Charters | 88,420 | 82,074 |
| Transit advertising | 228,994 | 246,194 |
| Sundry | 83,880 | 83,812 |
| Civic assessments | 276,844 | 185,527 |
| Sub - division assessments | 394,570 | 342,131 |
| | 22,957,800 | 23,783,903 |
| **Total revenue** | 300,864,631 | 298,918,992 |

# CITY OF ST. JOHN'S

**Schedule 6**

## Consolidated Schedule of Expenditures

**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) |
| **General government services** | | |
| Legislative | 849,702 | 808,234 |
| General government | 20,825,962 | 20,457,663 |
| Engineering services | 5,626,622 | 5,285,062 |
| Pensions and employee benefits | 11,322,044 | 5,002,763 |
| Employee future benefits | 9,960,473 | 13,917,872 |
| Other general government | 839,316 | 504,334 |
| | 49,424,119 | 45,975,928 |
| **Fiscal services** | | |
| Debenture debt charges | | |
| Interest | 15,602,010 | 16,189,885 |
| Amortization | 2,847 | 7,281 |
| Long-term debt interest | 946,008 | 1,218,729 |
| Non-Profit Housing mortgage interest | 283,865 | 447,441 |
| St. John's Transportation Commission interest | 172,050 | 138,069 |
| Interest on temporary bank loans | 9,433 | 8,396 |
| Other debt charges | 265,341 | 71,044 |
| | 17,281,554 | 18,080,845 |
| **Transportation services** | | |
| Road transport | | |
| Administration | 3,225,719 | 3,092,214 |
| Fleet services | 1,103,761 | 781,482 |
| Snow clearing | 14,050,617 | 13,027,006 |
| Streets, roads and sidewalks | 7,342,357 | 5,695,670 |
| Maintenance depot | 1,866,546 | 1,750,046 |
| Traffic services | 1,885,094 | 1,710,882 |
| Street cleaning | 138,071 | 184,476 |
| Street lighting | 4,109,905 | 3,968,285 |
| St. John's Transportation Commission | 17,930,481 | 17,580,444 |
| St. John's Para-Transit System | 2,367,374 | 2,078,879 |
| Parking meters | 46,965 | 67,519 |
| | 54,066,890 | 49,936,903 |

# CITY OF ST. JOHN'S

**Schedule 6 (continued)**

## Consolidated Schedule of Expenditures

**Year ended December 31, 2013**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ (Restated) |
| **Protective services** | | |
| Fire protection | **23,385,096** | 22,271,891 |
| Protective inspections | **4,025,165** | 3,872,274 |
| Traffic enforcement | **2,478,433** | 2,340,344 |
| Animal and pest control | **1,169,101** | 1,117,325 |
| | **31,057,795** | 29,601,834 |
| **Environmental health services** | | |
| Water supply and distribution | **14,167,021** | 13,470,821 |
| Regional Water system | **5,930,708** | 4,814,655 |
| Regional Waste Water system | **3,061,335** | 2,916,370 |
| Regional Robin Hood Bay landfill | **12,528,288** | 11,900,818 |
| Garbage, waste collection and disposal | **4,479,965** | 4,025,178 |
| Sewage collection and disposal | **605,274** | 491,955 |
| | **40,772,591** | 37,619,797 |
| **Recreation and cultural services** | | |
| Parks and open spaces | **7,942,820** | 8,212,378 |
| Recreation | **8,187,331** | 7,202,846 |
| St. John's Sports & Entertainment Ltd. | **8,732,591** | 9,042,576 |
| Railway Coastal Museum | **464,611** | 402,297 |
| Destination St. John's | **1,501,098** | 1,087,496 |
| Other recreation and cultural services | **2,729,964** | 2,350,676 |
| | **29,558,415** | 28,298,269 |
| **Environmental development services** | | |
| Environmental planning and zoning | **1,239,642** | 1,184,651 |
| Housing and real estate | **2,374,568** | 2,201,012 |
| Other environmental development services | **2,116,384** | 1,984,882 |
| | **5,730,594** | 5,370,545 |
| **Amortization and allowances** | | |
| Allowance for uncollectible accounts | **744,961** | 1,139,700 |
| Allowance for obsolete inventory | **120,528** | 73,444 |
| Loss on disposal fixed assets | **241,072** | |
| Amortization | **53,410,240** | 31,014,804 |
| | **54,516,801** | 32,227,948 |
| **Total expenditures** | **282,408,759** | 247,112,069 |

# CITY OF ST. JOHN'S

## Consolidated Schedule of Expenditures by Object

**Year ended December 31, 2013**

Schedule 7

| | General government services | Fiscal services | Transportation services | Protective services | Environmental health services | Recreation and cultural services | Environmental development services | Amortization and allowances | Total 2013 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | $ |
| Personnel | 39,302,896 | - | 29,757,711 | 27,606,026 | 14,903,331 | 14,162,333 | 2,979,274 | - | 128,711,571 |
| Contractual services | 6,541,820 | - | 8,914,300 | 1,966,213 | 19,190,899 | 6,436,936 | 1,830,199 | - | 44,880,367 |
| Materials and supplies | 1,234,199 | - | 13,270,435 | 1,034,283 | 5,421,159 | 4,063,910 | 37,340 | - | 25,070,326 |
| Capital out of revenue | 75,270 | - | 19,668 | 212,435 | 38,472 | 71,276 | 3,784 | - | 420,905 |
| Grants and subsidies | 47,350 | - | 2,095,776 | 148,157 | - | 2,999,565 | 858,446 | - | 6,149,294 |
| Financial charges | 2,073,368 | 17,281,554 | - | 16,393 | 115,393 | 1,822,006 | 1,001 | 120,704 | 21,430,419 |
| Other | 149,216 | - | - | 74,288 | 1,103,337 | 2,389 | 20,550 | 54,396,097 | 55,745,877 |
| | 49,424,119 | 17,281,554 | 54,066,890 | 31,057,795 | 40,772,591 | 29,558,415 | 5,730,594 | 54,516,801 | 282,408,759 |

**CITY OF ST. JOHN'S**
**Expenditures by Object**
**Year Ended December 31, 2012**

| | General government services | Fiscal services | Transportation services | Protective services | Environmental health services | Recreation and cultural services | Environmental development services | Amortization and allowances | Total 2012 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | $ (Restated) |
| Personnel | 38,542,569 | - | 28,856,525 | 26,583,407 | 13,815,897 | 13,817,809 | 2,771,981 | - | 124,388,188 |
| Contractual services | 6,071,816 | - | 7,071,549 | 1,910,312 | 16,102,828 | 6,012,514 | 1,644,496 | - | 38,813,515 |
| Materials and supplies | 1,139,110 | - | 12,101,158 | 914,999 | 4,285,094 | 4,244,006 | 47,143 | - | 22,731,510 |
| Capital out of revenue | 120,294 | - | 25,411 | 23,493 | 79,062 | 79,993 | 5,306 | - | 333,559 |
| Grants and subsidies | 24,500 | - | 1,880,500 | 124,870 | - | 2,631,713 | 894,859 | - | 5,556,442 |
| Financial charges | - | 18,080,845 | - | - | 33,274 | 1,512,234 | 950 | - | 19,627,303 |
| Other | 77,639 | - | 1,760 | 44,753 | 3,303,642 | - | 5,810 | 32,227,948 | 35,661,552 |
| | 45,975,928 | 18,080,845 | 49,936,903 | 29,601,834 | 37,619,797 | 28,298,269 | 5,370,545 | 32,227,948 | 247,112,069 |

Schedule 8

# CITY OF ST. JOHN'S

## Consolidated Schedule of Segmented Information

Year ended December 31, 2013

| | City | Non Profit Housing | St. John's Transportation Commission | St. John's Sports & Entertainment Ltd. | Non Profit Housing Eliminations | St. John's Transportation Commission Eliminations | St. John's Sports & Entertainment Ltd. Eliminations | Consolidated 2013 | Consolidated 2012 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | $ | $ (Restated) |
| Revenue (Schedule 5) | | | | | | | | | |
| Taxation | 180,439,736 | | | | (613,466) | | | 179,826,270 | 164,970,694 |
| Grants in lieu of taxes | 7,578,918 | | | | | | | 7,578,918 | 4,328,765 |
| Grants and transfers | 39,594,480 | 4,549,257 | 48,859,770 | 1,050,000 | (126,636) | (47,980,608) | (1,050,000) | 44,896,263 | 63,674,122 |
| Sales of goods and services | 38,429,571 | | | 7,713,889 | (538,080) | | | 45,605,380 | 42,161,508 |
| Other revenue from own sources | 13,974,580 | 3,018,422 | 5,984,429 | | (19,631) | | | 22,957,800 | 23,783,903 |
| | 280,017,285 | 7,567,679 | 54,844,199 | 8,763,889 | (1,297,813) | (47,980,608) | (1,050,000) | 300,864,631 | 298,918,992 |
| Expenditure (Schedule 6) | | | | | | | | | |
| General government services | 49,424,119 | | | | | | | 49,424,119 | 45,975,928 |
| Fiscal services | 16,825,639 | 410,501 | 172,050 | | (126,636) | | | 17,281,554 | 18,080,845 |
| Transportation services | 84,075,495 | | 17,972,003 | | | (47,980,608) | | 54,066,890 | 49,936,903 |
| Protective services | 31,057,795 | | | | | | | 31,057,795 | 29,601,834 |
| Environmental health services | 40,772,591 | | | | | | | 40,772,591 | 37,619,797 |
| Recreation and cultural services | 21,875,824 | | | 8,732,591 | | | (1,050,000) | 29,558,415 | 28,298,269 |
| Environmental development services | 4,579,541 | 2,322,230 | | | (1,171,177) | | | 5,730,594 | 5,370,545 |
| Amortization and allowances | 50,471,246 | 1,012,292 | 1,879,512 | 1,153,751 | | | | 54,516,801 | 32,227,948 |
| | 299,082,250 | 3,745,023 | 20,023,565 | 9,886,342 | (1,297,813) | (47,980,608) | (1,050,000) | 282,408,759 | 247,112,069 |
| Excess of revenues over expenditures | (19,064,965) | 3,822,656 | 34,820,634 | (1,122,453) | - | - | - | 18,455,872 | 51,806,923 |
| Accumulated surplus, beginning of year (Note 2) | | | | | | | | 754,874,253 | 703,067,330 |
| Accumulated surplus, end of year (Notes 2 and 14) | | | | | | | | 773,330,125 | 754,874,253 |

# CITY OF ST. JOHN'S

Schedule 9

## Reconciliation of Consolidated Cash Budget to Consolidated PSAS Budget

**Year ended December 31, 2013**

| | | 2013 |
|---|---|---|
| | | $ |
| **Consolidated cash budget** | | |
| Consolidated revenues | | 247,973,863 |
| Consolidated expenditures | | 247,973,863 |
| Excess of revenues over expenditures | | - |
| **PSAS adjustments** | | |
| Less: | | |
| Amortization of tangible capital assets | | 53,410,240 |
| Provision for post employment benefits | | 10,822,513 |
| Other: | | |
| Principal portion of long term receivable | 3,338,547 | |
| Robin Hood Bay Landfill post closure costs | 253,591 | |
| Transfer from Robin Hood Bay reserve | 1,200,000 | |
| Loss on sale of tangible capital assets | 241,073 | |
| Items expensed from work in progress | 4,433,450 | 9,466,661 |
| | | 73,699,414 |
| Add: | | |
| Capital grants and contributions | | 36,000,445 |
| Principal portion of debt servicing | | 2,747,895 |
| Interest earned - sinking funds | | 4,014,506 |
| Other: | | |
| Transfers from reserves | 13,055,997 | |
| Capital expenditures | 16,214,713 | |
| Sale of land | 189,028 | 29,459,738 |
| | | 72,222,584 |
| Consolidated PSAS Budget - Excess of expenditures over revenues | | (1,476,830) |